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FROM THE AMBASSADOR FOR DEPUTY SECRETARY STEINBERG
DEPARTMENT FOR D, EAP, EAP/K

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TAGS: [OVIP](#) [PGOV](#) [PREL](#) [ECON](#) [SOCI](#) [KN](#) [KS](#)
SUBJECT: SCENESETTER FOR THE DEPUTY SECRETARY'S VISIT TO
SOUTH KOREA, SEPTEMBER 29-30

Classified By: Ambassador D. Kathleen Stephens. Reasons: 1.4 (b/d).

Welcome Back

¶1. (C) Mr. Deputy Secretary, all of us at Embassy Seoul warmly welcome you back to Korea. Your visit comes as we are in a sweet spot in the relationship, with a strongly pro-American president who has largely recovered from last year's debacle on the importation of American beef and is committed to working with us. The ROK has placed the DPRK nuclear issue firmly at the center of North-South relations. More broadly, President Lee's determination to build a "Global Korea" will offer opportunities to expand our strategic cooperation beyond the Korean Peninsula, although we will have to be sensitive to ROK concerns that such cooperation is not a one-way relationship determined by the U.S. agenda.

The Korean Political Scene

¶2. (C) Lee's rising poll numbers will strengthen his ability to work with us on difficult issues. One recent poll had his approval ratings at 46 percent, up 15 points from July. Most analysts attribute the improvement to Lee's effort to move toward the political center, although the improving economy and the disarray of the opposition (which has approval ratings in the mid-20s) have also helped. Despite his growing popularity and the sizable majority that Lee's Grand National Party (GNP) holds in the National Assembly, the president has encountered difficulty in advancing legislation, due largely to the GNP's own low approval ratings and obstructionist tactics by the opposition.

¶3. (C) A recent cabinet reshuffle however, could break the deadlock. On September 3, the Blue House replaced six ministers, including the prime minister and defense minister. The prime minister nominee, Chung Un-chan, was a bold choice that introduced a new, potentially influential player to the political field. An economist and former president of Seoul National University, Chung was touted as a possible candidate for president in 2007 and has been critical of Lee's economic policies. If Lee and Chung can work together, they could control the political center. The risk for Lee is that Chung could leave the administration after a brief tenure and fill the leadership void in the opposition. Chung is expected to be confirmed and take office on September 29, although he continues to take a rhetorical pounding from the National Assembly about tax problems and his son's U.S. citizenship.

North Korea: First Family Reunions in Two Years

14. (C) At every level, ROK foreign policy is currently dominated by experienced America hands who believe deeply that the ROK must carefully coordinate its policies with us. Seoul has completely jettisoned the policy of the Roh Moo-hyun years that attempted to separate the nuclear issue from North-South relations, and President Lee has firmly told the DPRK that the nuclear issue is now central to relations with Pyongyang. Your interlocutors will repeat this position; in turn, they will want to be reassured that the United States is committed to multilateral talks on the nuclear issue and that we will not enter into a bilateral negotiation with the DPRK.

15. (C) Your visit will coincide with the resumption of reunions between DPRK and ROK family members who were separated during the Korean War. Although the media will be filled with emotional scenes of family members seeing each other for the first time in 60 years, senior ROKG interlocutors have told us they do not expect the reunions to generate public pressure on the Blue House to take a more flexible line on assistance to the north.

Global Security Issues: Following Through on Afghanistan

16. (S) The Blue House is eager to expand U.S.-ROK cooperation on global security issues. Seoul is planning to provide more assistance and training in Afghanistan, including building a new hospital and a training center in Bagram. The ROK has also pledged USD 500 million (USD 100 million a year for five years) in financial support for the Afghan Army. Senior ROKG

officials have assured us that this support is on track and will come from the ROKG's "reserve budget" which does not require approval from the National Assembly. For domestic political reasons, however, Seoul believes it is essential that the request for ROK support come from the newly-elected Afghan government. The ROK will send a "very high level" representative to the inauguration of the new Afghan president. According to our interlocutors, once the formal Afghan government request is received, the ROKG will proceed with its assistance.

Key Alliance Issues: Moving South...

17. (C) We are in the midst of a historic reconfiguration of our military posture in South Korea, one that will reduce the irritants that our large facilities in heavily-populated areas create for the Korean public and that will position the alliance for a generation to come (while simultaneously improving our warfighting capability). The centerpiece of this effort is the relocation of the headquarters of U.S. Forces Korea (USFK) to a new, purpose-built headquarters 30 miles south of Seoul. Progress on the move continues but unless ROKG funding and administrative obstacles are overcome soon we will not meet the agreed 2014 completion date. President Lee has voiced his support for the move but ROKG interagency fumbling and budgetary pressures continue to delay important decisions.

18. (C) In addition, we are working to consolidate over 100 U.S. military bases spread all across Korea into two key strategic hubs south of the Han River, replacing a Cold War-era military footprint with a modern and better-positioned force posture. We seek to complete this effort by the end of 2015, though that date may slip due to delays on the ROK side. Finally, the transfer of wartime operational control (OPCON) of South Korean forces from the U.S. military to the ROK military in April 2012 is proceeding and will give the ROK a leading role in its own defense commensurate with its status as an advanced economy.

Global Hawk

¶9. (S) As part of OPCON transition, DoD will phase out piloted U.S. Intelligence, Surveillance and Reconnaissance (ISR) missions in Korea beginning in 2012. The U.S. received an official request in July from the ROKG for pricing and availability data for the acquisition of the U.S.-produced Global Hawk Unmanned Aerial Vehicle (UAV). If the ROK decides to acquire Global Hawk in mid-2010, delivery would occur no earlier than 2013. In the interim, U.S. Global Hawks based in Guam will perform ISR taskings on North Korea. According to DoD, these Global Hawks will be responsible for the whole Pacific Ocean area of responsibility, would not be dedicated to the Korean Peninsula, and would not fully meet ISR requirements for North Korean territory and activities. The United States understands the ROK's need for enhanced ISR capabilities and is carefully reviewing the ROK's request for Global Hawk.

Korea-U.S. Free Trade Agreement

¶10. (C) The Korea-U.S. (KORUS) Free Trade Agreement is a critical element of our effort to anchor Korea to the United States for the next generation. In addition to the substantial trade benefits, the psychological effects of the KORUS FTA would be vast, both as symbol of the American commitment to northeast Asia and in tying Korea to the United States during a time of rising Chinese influence. President Lee has faced criticism for his inability to generate momentum for the FTA in Washington. President Obama's statement at the April G20 meeting with Lee, that the United States wanted to find a way forward on the FTA, allayed some of the anxiety in Seoul and enabled Lee to push the FTA through the committee of jurisdiction in the National Assembly. A full plenary vote has not been scheduled, but the FTA is expected to pass once there is some sign of movement in Washington. USTR by the end of August had received over 500 comments (over 250 were from firms) on the FTA in response to the Federal Register notice asking for stakeholder views. USTR is reviewing the comments to ensure it understands the exact nature of the concerns and to develop recommendations for addressing them. While the ROKG

waits for U.S. action on ratification, it is moving forward with FTA negotiations with a broad range of countries (including India, the European Union, Australia and New Zealand). American firms will be competitively disadvantaged if Korea's other trading partners enjoy FTAs while we do not.

The Economy: Heating Up...

¶11. (SBU) Battered by the global economic crisis one year ago, the ROK's economy is now surging. Driven by robust government spending, sustained interest rate cuts and a weaker currency, South Korea's GDP grew at 2.6 percent in the second quarter, the fastest quarter-on-quarter growth among all OECD nations. The benchmark KOSPI stock index, which bottomed out in October 2008 at 940, has soared to 1,718, well above pre-Lehman levels.
... and The Won is Strengthening

¶12. (SBU) Current account surpluses and foreign investment in the Korean market have led to dramatic recovery in the value of the won, which has appreciated against the dollar from 1,570 in early March to 1,204 on September 22. Most economic forecasts project continued strengthening of the won over the coming year toward levels not seen since the summer of 2008. Nonetheless, President Lee and Finance Minister Yoon Jeung-hyun insist it is too early to discuss exit strategies. Some are concerned that the fiscal stimulus and loose monetary policies could lead to speculative real estate bubbles or inflation, but the ROKG is on alert to combat such developments. Going into the Pittsburgh G20 Summit, Korea sees most global issues along the same lines that we do. South Korea, as the G20 chair for 2010, is keen to host a G20 Summit in 2010 and will be seeking U.S. support.

